

Corporate Governance



The Yokohama Rubber Group is making every effort to establish corporate governance systems that can realize sound, transparent and fair management under our "Corporate Philosophy. Through these efforts, we aim to create a management structure that will enable us to continuously improve our corporate value and to earn the "unwavering trust" of all our stakeholders.

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[Corporate Governance Report](#)
*Japanese only



Basic Corporate Governance Policy

1. Ensuring shareholders' rights and equality

Our company takes appropriate measures to ensure that the rights of shareholders are substantially secured and creates an environment in which shareholders can properly exercise their rights.

In addition, we ensure the substantial equality of our shareholders. Particularly, we give due consideration to minority shareholders and foreign shareholders, as they may be prone to issues and concerns regarding the substantial securing of shareholders' rights, the environment for the exercise of their rights, and the substantial equality of shareholders.

2. Appropriate collaboration with stakeholders other than shareholders

Fully recognizing that the sustainable growth of the company and the creation of corporate value over the medium and long term are the result of the provision of resources and contributions by various stakeholders, including employees, customers, business partners, creditors, and local communities, we will strive to work with these stakeholders in an appropriate manner. The Board of Directors and management will exercise leadership in fostering a corporate culture and climate that respects the rights and positions of these stakeholders and sound business ethics.

3. Ensuring appropriate information disclosure and transparency

We appropriately disclose financial information, such as the company's financial position and operating results, and non-financial information, such as management strategies, management issues, and information related to risks and governance, in accordance with laws and regulations, and also actively provide information other than that required by laws and regulations. The Board of Directors strives to ensure that such information (especially non-financial information) is accurate, easy for users to understand, and highly useful, taking into account that the information disclosed and provided is the basis for constructive dialogue with shareholders.

4. Responsibilities of the Board of Directors

We are working to establish an efficient management and execution system by separating the management decision-making/supervision system from the business execution system, and to realize highly transparent management by appointing External Directors.

By appointing five Outside Directors, we have established a highly effective supervisory system for Directors. In addition, three outside auditors have been appointed to provide a highly independent auditing system for the directors' execution of their duties.

5. Dialogue with shareholders

We recognize that in order to achieve sustainable growth and enhance our corporate value over the medium to long term, it is important to engage in active dialogue with investors, including shareholders, and reflect their opinions and requests in our management.

Therefore, we have established an IR/SR system and strive to proactively disseminate information to shareholders and investors, such as holding financial results briefings four times a year attended by senior management, in order to gain understanding of our management strategies and plans.

Governance

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Management

Policy

Yokohama Rubber believes that considering the sustainability of society and companies in decision making and execution is important in order to achieve the Corporate Philosophy of “To enrich people’s lives and contribute to their greater happiness and well-being by devoting our wholehearted energies and advanced technology to the creation of beneficial products.” In addition, Yokohama Rubber makes various efforts based on appropriate corporate governance when addressing the core issues of human rights, labor practices, the environment, fair business practices, consumer issues, and community participation and community development.

Along with this policy, the actions that should be taken by employees are stipulated in the Yokohama Rubber Group Action Guidelines.

Yokohama Rubber Group Action Guidelines (Excerpt)

We shall conduct corporate activities with a high degree of transparency and practice proper disclosure of information.

Basic stance of the Yokohama Rubber Group

1. We shall conduct corporate activities with a high degree of transparency, in keeping with our Corporate Philosophy.
2. We shall make effective use of our corporate assets and heighten our corporate value.
3. We shall make systemic arrangements for ever-vigilant monitoring of risks surrounding the Yokohama Rubber Group, deal promptly with such risks, and constantly review these arrangements.
4. We shall establish standards for business processing and see that they are rigorously applied for correct performance of such processing.
5. We shall practice timely and appropriate disclosure of information on our business results, financial position, and business activities to our stakeholders, and engage in open and fair communication with them.

Putting our basic stance into practice – our action

1. We shall treasure the tangible and intangible assets of the Yokohama Rubber Group, including our reputation and brand, and strive to heighten our corporate value.
2. We shall exclude any and all ties with anti-social forces.
3. We shall be on guard against risks in our midst that could lead to disasters, scandals, and accidents, and deal promptly and appropriately with any related occurrences.
4. We shall obtain personal information on our customers, third parties, our employees, and other persons as well as confidential information on our customers and third parties, only by legitimate methods. In addition, we shall strictly manage any such information, utilize it only within proper scope, and carefully protect it.
5. We shall properly manage exports in accordance with the laws and regulations in the host countries and regions.
6. We realize that the pool of information acquired through our work includes some important undisclosed information otherwise known internally or only within the other organization. We shall properly manage all such information. We shall not engage in any buying or selling of stock etc. using such inside information.

Yokohama Rubber Group Action Guidelines

› Yokohama Rubber Group Action Guidelines (formulated in December 2014)

Yokohama Rubber Group Competition Law Compliance Policy and Anti-corruption Policy

In accordance with the Yokohama Rubber Group Action Guidelines, we implement employee education to ensure that employees are familiar with and comply with these Policies, and we also implement related management and supervision.

📄 Competition Law Compliance Policy (formulated in July 2017)

📄 Anti-corruption Policy (formulated in July 2017)

Yokohama Rubber Group Tax Policy

› Taxation transparency

Message from a manager

With the aim of having our management continue to maintain unshakeable credibility, Yokohama Rubber Group is making every effort to fortify and improve the support system needed to establish corporate governance that can realize management with transparency and fairness under our Corporate Philosophy.

At the Ordinary General Meeting of Shareholders held in March 2023, the Company transitioned from a company with an Audit & Supervisory Board to a company with an Audit & Supervisory Committee in order to speed up management decision-making and further enhance corporate value.

At the same meeting, a total of 16 directors were elected: 8 internal directors, including female and foreign directors, and 8 external directors.

In addition, officer personnel and remuneration matters are discussed by the Personnel and Remuneration Committee for Corporate Officers, of which two of three members are Outside Officers, and decided on by the Board of Directors to ensure transparency and fairness. In order to strengthening the compliance structure, a whistle-blowing system has been introduced in which responsible officers have been assigned to overseas business locations and the status of issues such as labor issues is confirmed every month.

We will strengthen the transparency and fairness of governance and risk management through these measures.

Tomoaki Miyamoto, Head of Corporate Administration Division

Vision for FY2023

We will practice group governance to increase our oversight of subsidiaries and strengthen global management by extending the use of our whistleblowing system to overseas bases.

Priority action items to be addressed

The following items have been established as the main action items that the Yokohama Rubber Group will address first in consideration of the level of impact of business activities and the level of social interest.

Governance System >

Sustainability Management >

Participation in Initiatives in
Japan and Overseas >

Risk Management >

Compliance >

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Governance System

Corporate Governance Support System

The institutional design under the Companies Act (General Meeting of Shareholders, Representative Directors, Board of Directors, Audit & Supervisory Committee, and Accounting Auditor), the Company's corporate governance system employs a corporate officer system to clarify management oversight and business execution while thoroughly speeding up management decision making and business execution.

In addition, to strengthen the strategic functioning of top management, we have established an Executive Committee on which directors serve as key members. The committee monitors the achievement status of business plans and deliberates matters concerning business strategy.

The Chair of the Board Meeting is our Chairman and President, who cannot serve as a Corporate Officer at the same time. At the 147th Ordinary General Meeting of Shareholders held on March 30, 2023, a total of 16 directors (including 5 audit committee members) were elected: 8 internal directors and 8 external directors.

All of the appointed External Directors are Independent Directors.

The attendance rate of Internal Officers at meetings of the Board of Directors in 2022 was 100%, and the attendance rate of External Officers was as follows.

FY2022 attendance status

	Board of Directors	
	Number of times attended	Attendance rate
Director Hideichi Okada	17/17	100%
Director Nobuo Takenaka	15/17	88.2%
Director Hirokazu Kono	17/17	100.0%
Director Yuko Kaneko	11/13	84.6%
Director Masatoshi Hori	17/17	100.0%
Audit & Supervisory Committee Member Jun Kamei	16/17	94.1%
Audit & Supervisory Committee Member Megumi Shimizu	17/17	100.0%
Audit & Supervisory Committee Member Hironori Kimura	15/17	88.2%

※Positions as of the end of December 2022.

※Please refer to the section on officers in the [annual report and Directors, Audit & Supervisory Board Members, and Corporate Officers \(available only in Japanese\)](#) for the career history and scope of responsibilities of officers.

Reasons for the selection of Outside Directors and Outside Audit & Supervisory Board Members

- Hideichi Okada

Hideichi Okada will have served as an outside director of the Company for ten years at the conclusion of this General Meeting of Shareholders.

He has actively expressed his opinions and made proposals from an international perspective based on his deep insight into the economy, society, and other issues surrounding corporate management.

He continues to serve as an outside director of the Company in order to reflect his abundant experience at government ministries and agencies and his insight into corporate management in the field of oil exploration and production, etc. in the management of the Company.

He has maintained his independence, with no incidents that could have been deemed to be in conflict with the interests of ordinary shareholders, as defined by the Tokyo Stock Exchange.

- Masatoshi Hori

Masatoshi Hori will have held the position of Outside Director of the Company for two years at the conclusion of this General Meeting of Shareholders.

In addition to his abundant experience and insight as a manager, he has actively expressed his opinions and made suggestions based on his practices and successful cases in M&A.

He continues to serve as an outside director so that his experience and insight can be reflected in the management of the Company.

He has maintained his independence, with no incidents that could have been deemed to be in conflict with the interests of ordinary shareholders, as defined by the Tokyo Stock Exchange.

- Yuko Kaneko

Yuko Kaneko will have held the position of Outside Director of the Company for one year at the conclusion of this General Meeting of Shareholders. She has actively expressed her opinions and made proposals based on her experience and insight as a certified public accountant with extensive experience working at an auditing firm, as well as her experience as a university professor researching and teaching auditing theory and practice.

She has maintained her independence, with no incidents that could have been deemed to be in conflict with the interests of ordinary shareholders, as defined by the Tokyo Stock Exchange.

- Junichi Furukawa

Junichi Furukawa is a corporate manager who possesses abundant experience and extensive knowledge of corporate management. The Company appointed him as an outside director in the belief that he will reflect his insights in finance and accounting and abundant knowledge with a sense of balance in the management of the Company.

He has maintained his independence, with no incidents that could have been deemed to be in conflict with the interests of ordinary shareholders, as defined by the Tokyo Stock Exchange.

- Megumi Shimizu

Megumi Shimizu has long worked as an attorney and currently serves as a partner at a leading law office of Japan. The Company appointed her as an outside director in the belief that she will use her ample insight and knowledge as a law expert for the management of the Company.

She does not fall under the category of any matter that may cause a conflict of interest with general shareholders as defined by the Tokyo Stock Exchange, and is considered to be independent, but we have not filed a notification of her appointment as an independent director or auditor.

- Hirokazu Kono

Hirokazu Kono has actively provided opinions and suggestions based on his deep insight accumulated through his long-year studies of management engineering and business administration at universities in Japan and the United States. He has been appointed as an outside director of the Company so that his extensive academic knowledge of management engineering and business administration, as well as his experience and insight as an outside director at Stanley Electric, can be reflected in the management of the Company.

He has maintained his independence, with no incidents that could have been deemed to be in conflict with the interests of ordinary shareholders, as defined by the Tokyo Stock Exchange.

- Atsushi Kamei

Atsushi Kamei has actively provided frank opinions from the perspectives of his long years of experience and corporate management in leading retail business players. The Company appointed him as a director who is an Audit & Supervisory Committee member in the belief that he will continue to supervise the management of the Company from an external viewpoint.

He has maintained his independence, with no incidents that could have been deemed to be in conflict with the interests of ordinary shareholders, as defined by the Tokyo Stock Exchange.

- Hiroki Kimura

Hiroki Kimura has provided useful suggestions and advice based on his business experience as a manager of a financial institution, his extensive experience as an outside director at other companies, and his professional insight in accounting, finance, and asset management to date.

The Company appointed him as a director who is an Audit & Supervisory Committee member in the belief that he will contribute to further reinforcing the auditing functions of the Company's management with his professional knowledge accumulated in the fields of accounting, finance and asset management.

He has maintained her independence, with no incidents that could have been deemed to be in conflict with the interests of ordinary shareholders, as defined by the Tokyo Stock Exchange.

The Board of Directors' Meeting was held 17 times in fiscal 2022, and 64 proposals were deliberated.

In addition, we seek and incorporate the opinions of institutional investors in matters including proposals at the General Shareholders' Meeting for Outside Officers, proposals on dividends and the Corporate Governance Code, and proposals regarding the Stewardship Code response policy.

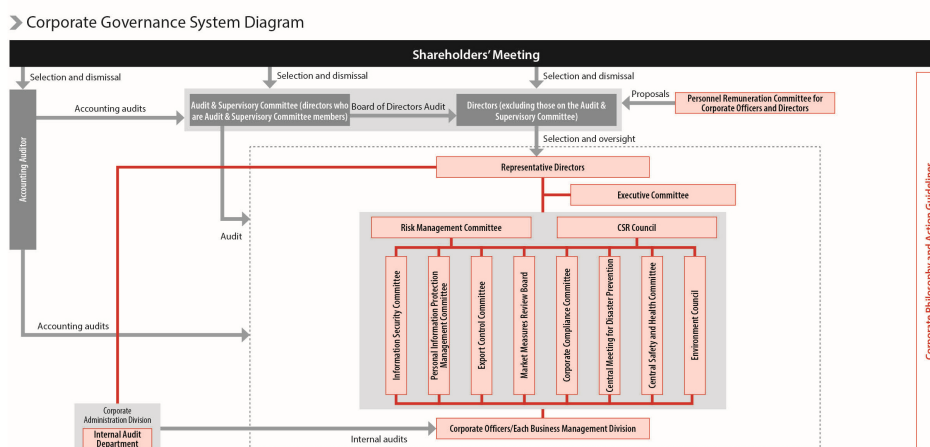
Under our systems, Audit & Supervisory Committee members can get know the status of our business operations by attending various important meetings or committees such as the Management Meeting, and the Internal Audit Office that serves as an independent organization conducts internal audits of each business to check that operations are being conducted properly.

We have three pillars in our auditing system: the audits done by our Audit & Supervisory Committee members who supervise work execution by our Directors, accounting audits done by our independent accounting auditors as external audits, and finally, the audits done by our Internal Audit Department for work operation by our each corporate division and group companies, plus accounting audits. They function by maintaining each other's independency; by establishing the three pillars of the audit system, our Audit & Supervisory Committee members can fortify the function of Audit & Supervisory Committee members by obtaining information from our Accounting Auditors and Internal Audit Department in a timely manner.

Also, in order to secure transparency and fairness in relation to the appointment and various benefits of our Directors, we determine them at the Board of Directors' Meeting by establishing a voluntary Personnel/Remuneration Committee for Corporate Officers and Directors followed by our review.

The Personnel/Remuneration Committee for Corporate Officers had three Members (of which two were Outside Members) during the fiscal year from April 2020 to March 2021. As required by law, all transactions by directors that could be deemed to have conflict of interest implications and all transactions involving competitor firms were subject to approval by the Board of Directors, with the results being reported at Board Meetings.

Corporate Governance Promotion Structure



This information covers the fiscal year 2022.

Improvement of our Corporate Governance System

We have made resolutions under the “Basic Guidelines for Corporate Governance in Accordance with the Companies Act” during our Board of Directors’ Meeting in May 2006. Not only do we follow up with their activity status every year, we also keep making further enhancements such as our review by aiming for clearer description of the “Guidelines of the Elimination of Anti-Social Behavior” in April 2009 and re-establishment of the Basic Guidelines following the revision of the Companies Act in June 2015. Also, to comply with the J-SOX Law effective from the fiscal year of 2008 (evaluation of support system for financial account in accordance with Financial Instruments and Exchange Act), it has been confirmed that our corporate governance system is effective both in internal and external evaluation in the fiscal year of 2022. We will continue to make improvements on this aspect as well in order to maintain sustainable and effective functionality.

In addition, the Audit Department conducts annual operational audits.

Based on the Audit Procedures, audits are conducted on 11 items ranging from accounting operations to safety, environment, and industrial waste management to ensure that operations are carried out in accordance with rules and procedures, and recommendations for improvement are made to prevent fraud and errors.

We then make recommendations and suggestions for improvement and strive to prevent fraud and errors.

In FY 2022, 16 business sites were audited and 474 recommendations and suggestions were made.

Remuneration for Corporate Officers and Directors

Candidates for Directors and Audit & Supervisory Board Members are selected by the Personnel/Remuneration Committee for Directors and Audit & Supervisory Board Members, which consists of one internal officer and two external officers, and after a resolution by the Board of Directors, the appointment is submitted to the General Meeting of Shareholders for approval. With regard to remuneration, transparency and fairness are secured by the Personnel/Remuneration Committee for Corporate Officers and Directors, and remuneration is decided on by the Board of Directors. Regarding the remuneration of Audit & Supervisory Board Members, the Board of Directors has established a policy of “determining remuneration by Audit & Supervisory Board Members after deliberation by the Board of Directors in order to ensure the transparency, fairness, and independence of audits.” It was 479 million yen for directors and 91 million yen for auditors in fiscal 2022. We seek the opinions of stakeholders through means such as a shareholder questionnaire and the “Contact Us” page of our official website.

Details of executive remuneration

Executive category	Total remuneration (Million yen)	Total by type of remuneration (Million yen)				Number of applicable executives (persons)
		Basic remuneration	Performance-linked remuneration			
			Bonus	Restricted stock compensation	Medium-term performance-linked remuneration	
Directors (excluding Outside Directors)	424	184	73	110	57	7
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	66	45	20	-	-	2
Outside Officers	80	80	-	-	-	9

Sustainability Management

Sustainability Management Promotion Framework

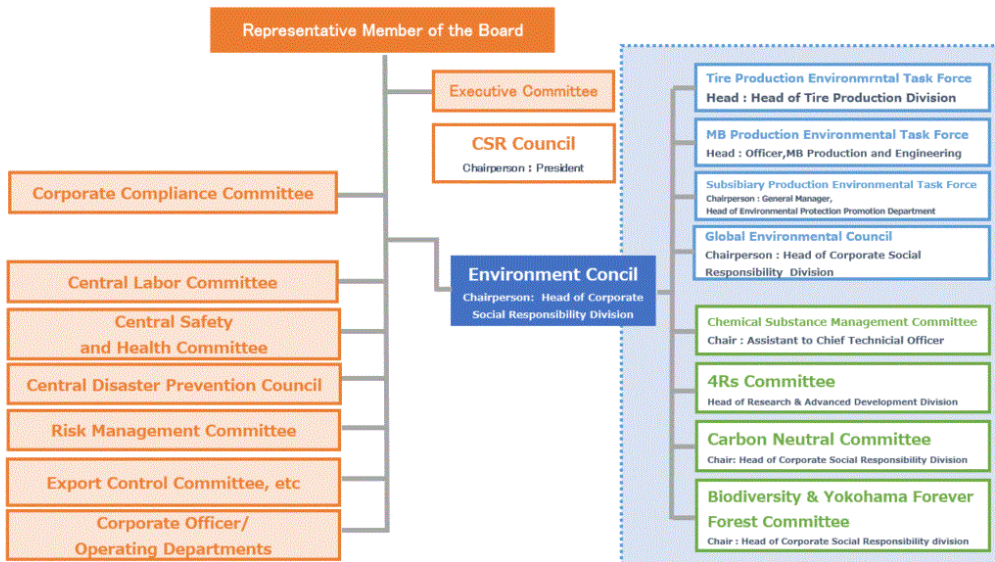
Twice a year (in May and November), we hold a CSR Council where our President serves as a chairperson, as part of an organizational framework that was set up to discuss and develop plans for addressing the social responsibility issues that Yokohama Rubber Group is currently facing.

Organizations including the CSR Council, the Corporate Compliance Committee, the Environment Council, the Central Labor Relations Committee, the Central Safety and Health Committee, and the Risk Management Committee have been established, with the responsible officers serving as chairpersons to deliberate on various issues.

Matters with a material impact on management are submitted to the Management Meeting for approval.

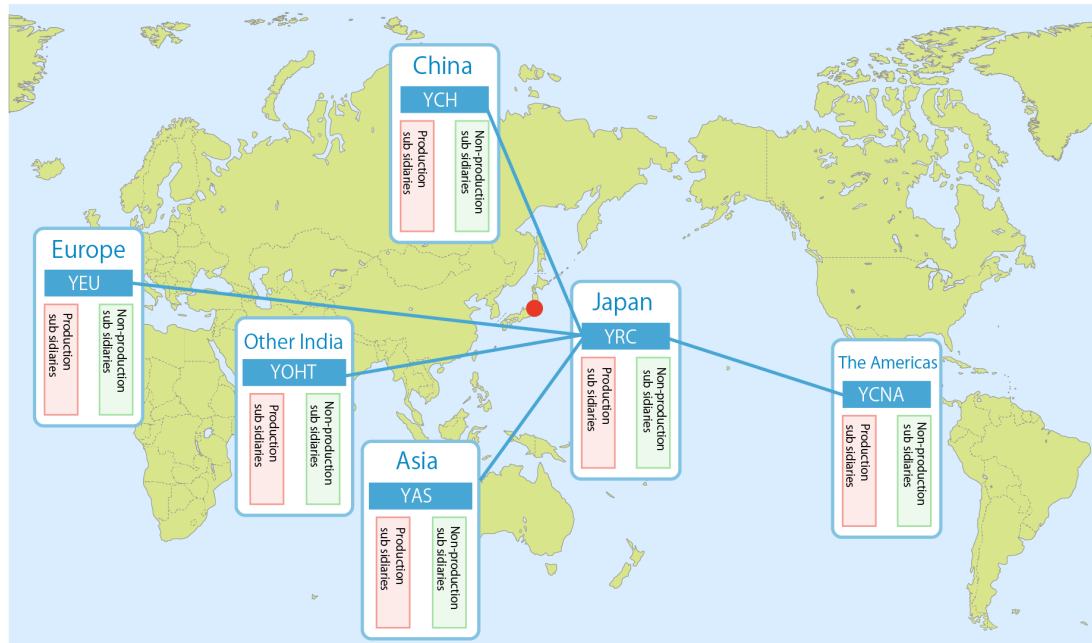
We have three task forces, two sub-councils, and four committees that promote environmental activities as sub-bodies within the Environmental Council. The Environmental Council engages in business activities as a product development framework and continues to provide environmentally friendly products.

In addition, with the aim of implementing high quality and homogeneous sustainability management at all of our bases around the world, we are promoting area management of internal controls, including the environment and compliance, under the control of the regional management company. In fiscal 2022, an environmental conference was held in the China area, and education on the introduction of a complaint handling system was conducted in Thailand and other countries.



Vision for Area Management

The autonomous implementation of CSR and environmental management in line with regional circumstances centered around the supervising companies of each region around the world, while maintaining consistency with the environmental policy of the Group as a whole.



Important Issues of the Yokohama Rubber Group

In order to build a trusted identity as a contributing member of the global community, Yokohama Rubber Group acts in accordance with the Yokohama Rubber Group Action Guidelines together with its stakeholders, which include customers, shareholders and investors, business partners and suppliers, and employees.

To this end, the Yokohama Rubber Group has specified the following critical issues in reference to benchmarks including the GRI Guidelines and ISO26000, and conducts activities in response as the Critical Issues of the Yokohama Rubber Group.

As a company with a trusted identity as a contributing member of the global community, the Yokohama Rubber Group creates and provides to society the following forms of value while implementing the strategy of the YX2023 medium-term management plan based on the Action Guidelines, in order to move forward together with stakeholders.

For more information about the YX2023 medium-term management plan, see the "[Investor Relations](#)" section of the Yokohama Rubber corporate website.

For more information about our CSR measures, see the section of the Yokohama Rubber corporate website that outlines our "[Caring for the Future](#)" CSR Slogan.

Environmental Management System

Enforcement of Global Environmental Management Based on ISO14001

We aim to maintain high-quality environmental management under the same standard both in domestic and overseas group companies; thereby we have positioned ISO14001, which is the international Environmental Management System standard, as the basis of our management.

We are trying to get all our operation sites to obtain ISO14001; so far, a total of 16 operation sites in Japan, comprising eight from Yokohama Rubber and eight from our group for domestic operations have obtained it, whereas overseas a total of 30 operation sites of 16 group companies have been certified. (The ISO 14001 certification rate for production sites is

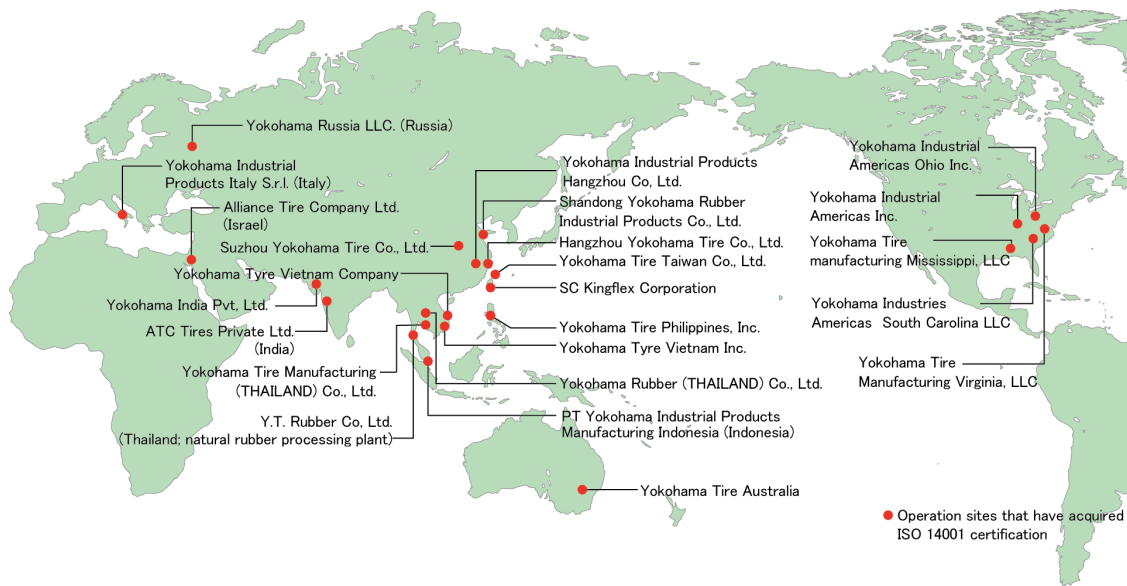
100%.)

It should be noted that during fiscal 2012, ISO14001 integrated certification was acquired for the integrated environmental management of Yokohama Rubber's ten production bases and the head office, and a total of 16 Yokohama Rubber and Group company offices acquired ISO14001:2015 integrated certification in 2018. This reflects the high level of homogenization.

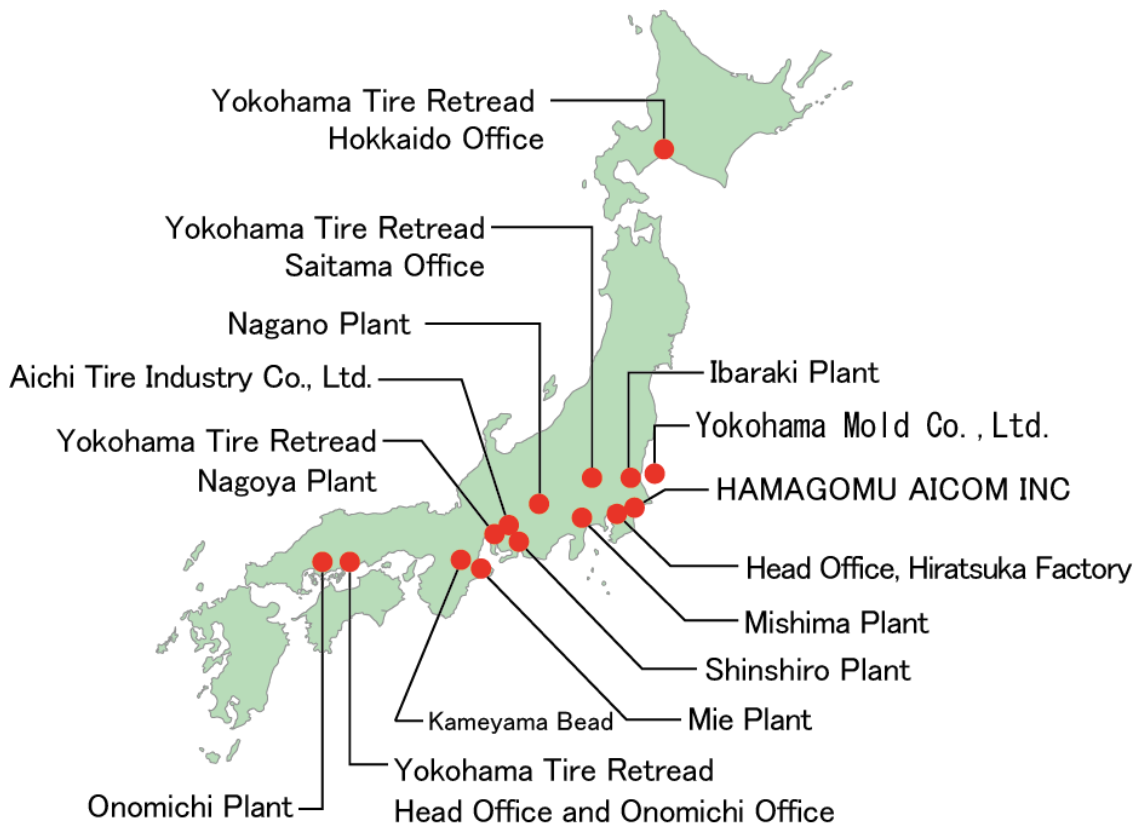
In addition, our non-manufacturing sites are promoting environment management in accordance with the 'CSR Environmental Management Guidelines' and our approach to the environment.

The Yokohama Rubber head office and systems company in Japan and Group distribution subsidiaries in Australia and Taiwan have acquired ISO14001 certification, under which they are further advancing their environmental management. Our tire production facility in Thailand has also acquired ISO 50001 certification for its energy management system.

Overseas business locations that have acquired ISO14001 certification



Japanese business locations that have acquired ISO14001 certification



Execution of Comprehensive Environmental Audit

We are conducting audits as to continual progression for improvement on the management system of environmental management, improvement on the environmental performance, and minimizing environmental risks per operation unit by conducting internal audits of business locations as a first-party audit, integrated internal audits by the Environmental Protection Promotion Department, and an external audit as a third-party audit every year (all audits are based on ISO14001).

Also, our Environmental Protection Promotion Department is checking and verifying the score of self-evaluation at each business site in accordance with CSR Environmental Management Guidelines for domestic distribution companies within our group.

There were no indications of any violation of environmental legislation among all the auditing items in fiscal 2022.

Internal Audit

Overseas production sites have acquired and implemented ISO14001 certification.

Through our internal audit, we work to continually improve the level of our environmental management system. We conducted our audit not just to operate and maintain our environmental management system, but also by setting our common themes as whether our system is duly functioning for our purposes, whether each member of our group is walking the talk by reviewing and setting up the guidelines, purposes, and target by shifting more focus on the reduction of environmental burden in an even more proactive manner during their normal business activities.

Integrated internal audit

Integrated certification has been acquired for production sites in Japan. In order to make overall improvements to environmental management and work towards the cross deployment of key issues, internal audits are also conducted by members from each site.

In fiscal 2022, we conducted internal audits based on the positioning for fiscal 2015, and we worked to improve the level of chemical substance control and response to environmental risks, focusing in particular on our production and development sites.

Also, we focused on the promotion of various activities to contribute to society from the perspective of CSR and the level of communication with stakeholders, including local residents, in the audit.

External Audit

During fiscal 2022, an integrated EMS certification registration audit was continued by an ISO audit registration organization that covered all of the group's Japanese production bases and its Headquarters, and as a result we successfully completed a periodic review ISO14001:2015.

While no nonconforming items were found in the audit, we strove to make continuous improvements.

Enforcement of Environmental Training and Education

CSR and Environmental Training

We have incorporated CSR and environmental training as one of the subjects to be studied by recent graduate hires and mid-career hires. In addition, a career development course, "CSR and Environmental Knowledge," was held for employees in their second to third year of employment in personnel training for career-track positions.

In addition to learning about the environment in general, education on biodiversity conservation including a river monitoring experience was provided. In the first half of FY2022, the course was held on video-on-demand (monitoring experience was also provided only for viewing) due to the expansion of COVID-19 infection.

In the second half of the fiscal year, the seminar was held online and monitoring was conducted via a live broadcast from the river. A total of 78 participants took the course in the first and second semesters.

Furthermore, we held a career development course, "CSR (Intermediate Level)," for employees who have been with the company for about 10 years.

A total of 128 participants took the course, which covered knowledge on SDGs, ESG investment, and other CSR issues such as the environment, health and safety, Disaster Prevention and BCP.

These career development courses are positioned as mandatory training for promotion.

823 employees have participated in CSR training so far, or 16% of the Yokohama Rubber non-consolidated total.

In addition, in order to ensure that our managerial and supervisor level employees thoroughly understand ISO14001, we are conducting training classes for environmental internal auditors. Including 98 personnel who have completed this course to get certified in fiscal 2022, currently a total of 2,548 personnel have been registered and are already active as our internal auditors. (45% are qualified internal auditors in the scope of the integrated certification.)

We conduct skill improvement seminars to further improve the levels of employees with internal auditor qualifications. This time, due to the Corona disaster, it was not conducted.

Enhancement of Education Activities

As part of our environmental education activities, we conduct improvement activities by getting involved with all our personnel by sending our President's message to all our employees in the Energy Saving Month in February and the Environment Month in June every year. For our Environment Month from June 1 to 30, we accept suggestions for environmental month slogans and posters from all Yokohama Rubber Group employees and family members up to elementary school student age.

In fiscal 2022, we resumed the campaign and received 5,902 entries for eco declarations and 110 entries for posters in Japan, and 6,629 entries for eco declarations and 403 entries for posters overseas.

Of these, the following were selected as excellent works.

	Japan	Overseas
Environmental Slogan Excellent Works	25	13
Poster Excellent Works	14	23

In addition, the best works were selected for both Japan and overseas.

Environmental Slogan Best Work

"Regular tire pressure checks improve fuel economy."

Toshiyuki Komura, PRGR

"When away from the plant, the equipment is shut down to prevent idling." Yao Yubao, Production Section 1, CHZY

Environmental Poster Best Work



Chizuru Fujiwara, Bead, Manufacturing Section 1, Shinshiro Plant
(Kazuya Fujiwara's family)



Naruemon, QC, YMTC

A commemorative gift was given by the secretariat for Excellent Works and Best Works in Japan and overseas.

President's Award for Environmental Contribution

The Environmental Activity Awards were newly established in FY2022 with the aim of improving environmental management throughout the Group.

The award areas are "prevention of environmental pollution and spills," "reduction and elimination of chemical substances," "carbon neutrality," "promotion of resource recycling," and "contribution to biodiversity and local communities.

All divisions of the Yokohama Rubber Group are eligible for the awards, which are selected after reviewing and deliberating the activities conducted during the year for each case study in each field. Each award-winning division will receive an award from the General Manager of the CSR Division.

Environmental Accounting

Environmental conservation costs

Calculated since fiscal 2013 with the Head Office and domestic production bases as a boundary in reference to the environmental accounting guidelines issued by the Ministry of the Environment.

※(Millions of yen)

Item		Major initiatives	FY 2021		FY 2022	
			Investments	Costs	Investments	Costs
Business area costs						
	Pollution prevention costs	Installation of deodorization equipment, supporting CFC regulations, etc.	399	72.62	491	75.15
	Global environmental conservation costs	Compressors, air conditioning renewal, adoption of hybrid forklifts, etc.	257	30	110	65
	Resource recycling costs	Costs related to waste segregation and processing	0	507	0	523
Subtotal			656	609	601	663
Upstream and downstream costs		Expenses for reuse of tire bladders and plastics liners for rubber take-up	0	63	0	63
Management activity costs		EMS maintenance, management, and information disclosure costs	0	180	0	184
Research and development costs		Research and development costs for reducing the environmental burden	282	868	79	875
Social activity costs		Tree planting activities in areas affected by the Great East Japan Earthquake, social contribution activities, etc.	0	7	0	56
Environmental remediation costs		Reserves for PCB processing, etc.	0	7	0	43
Subtotal			938	1,734	680	1,884
Total				2,673		2,564

Economic effect

※(Millions of yen)

Type of effect	Major initiatives	FY 2021	FY 2022
Profits	Profits gained from wastes and recycling from business activities	65	92
Cost reduction	Cost reductions through energy conservation	173	270
	Cost reductions through the use of recycled products	464	726
Total		702	1,088

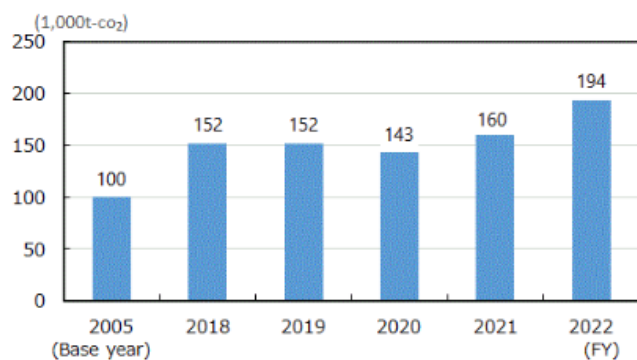
Environmental conservation effects

Type of effect	Year-on-year reduction	
	FY 2021	FY 2022
Greenhouse gas emissions (thousand tons, CO ₂)	-8,890.0	-4,243.3
VOCs emissions (tons)	-7.2	-52.9
Waste reclamation quantity (tons)	Zero emissions achieved domestically in FY 2010	
Waste emissions (tons)	-681.3	833.3

Environmental efficiency

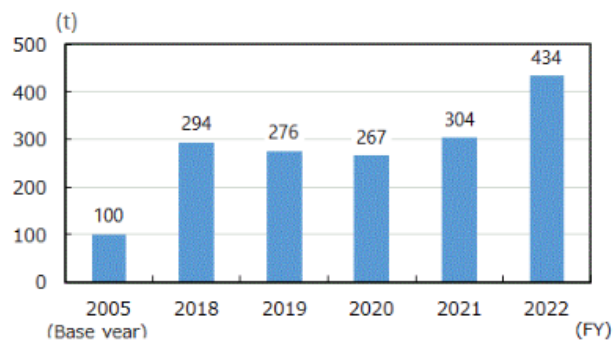
Greenhouse gas indicator

Index of sales/greenhouse gas emissions, with a value of 100 for the base year (FY 2005)



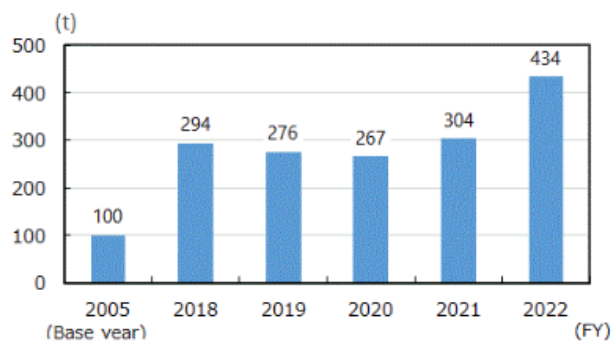
VOCs indicator

Index of sales/VOC emissions, with a value of 100 for the base year (FY 2005)



Industrial waste emission indicator

Index of sales/industrial waste emissions, with a value of 100 for the base year (FY 2005)





Initiatives

Participation in Initiatives in Japan and Overseas

Yokohama Rubber signed the United Nations Global Compact (UNGC), a global framework for achieving sustainable growth proposed by the United Nations, in May 2012 and joined the Global Compact Network Japan (GCNJ), which is composed of Japanese companies and others that have signed the UNGC.

Yokohama Rubber Group, including its domestic and overseas subsidiaries, is committed to the Ten principles of the UN Global Compact and carries out the Plan-Do-Check-Act (PDCA) cycle following the framework of ISO 26000.

The Ten Principles of the UN Global Compact		ISO26000 Seven Core Subjects
<p>Human Rights</p> <p>Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and</p> <p>Principle 2: make sure that they are not complicit in human rights abuses.</p>	<p>Environment</p> <p>Principle 7: Businesses should support a precautionary approach to environmental challenges;</p> <p>Principle 8: undertake initiatives to promote greater environmental responsibility; and</p> <p>Principle 9: encourage the development and diffusion of environmentally friendly technologies.</p>	<ol style="list-style-type: none"> 1 Organizational governance 2 Human rights 3 Labor practices 4 The environment 5 Fair operating practices 6 Consumer issues 7 Community involvement and development
<p>Labor</p> <p>Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;</p> <p>Principle 4: the elimination of all forms of forced and compulsory labor;</p> <p>Principle 5: the effective abolition of child labor; and</p> <p>Principle 6: the elimination of discrimination in respect of employment and occupation.</p>	<p>Anti-Corruption</p> <p>Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.</p>	
		

 Global Compact

Japan Association for the World Food Programme

We endorse the World Food Programme (WFP) in undertaking to eradicate hunger and poverty and support the activities of the WFP as a trustee.



WBCSD (World Business Council for Sustainable Development)

WBCSD refers to a unified association that consists of top executives from global corporations in order to perform their leadership in their industry, have lively discussion, and propose policies with regards to the environment and sustainable development. We are participating in the Tire Industry Project, which involves conducting surveys pertaining to the possible impact of tires on the environment and health, and promoting various activities to save energy in buildings and offices. In May 2021, we formulated the SDGs Roadmap for the tire sector.

In line with the roadmap, each company will work to reduce negative social impact and expand opportunities. The results are then compiled and reported externally on the activities of the tire sector.

The roadmap is here: <https://sustainabilitydriven.info/>



The Sustainable Natural Rubber Initiative (SNR-i)

In January 2017, Yokohama Rubber endorsed the aims of the activities to make the Sustainable Natural Rubber Initiative (SNR-i) proposed by the International Rubber Study Group (IRSG), an intergovernmental organization consisting of governments of natural rubber and synthetic rubber producing and consuming countries, and joined the activities.

SNR-i is an activity that aims to establish a sustainable natural rubber economy that harmonizes economy, environment, and society, covering the entire natural rubber value chain from production, processing, and distribution to consumption.

Major tire and rubber manufacturers and raw material suppliers are participating in the program.



The Global Platform for Sustainable Natural Rubber (GPSNR)

The Global Platform for Sustainable Natural Rubber (GPSNR) was launched under the initiative of the Tire Industry Project (TIP) of the World Business Council for Sustainable Development (WBCSD) to improve social, economic, and environmental aspects of the natural rubber value chain. The platform is designed to improve the social, economic, and environmental aspects of the natural rubber value chain. Many tire manufacturers and other natural rubber product manufacturers, as well as natural rubber producers and automakers, participate in GPSNR, and Yokohama Rubber has been a founding member since October 2018.



Task Force on Climate-related Financial Disclosures (TCFD)

The TCFD was established in 2015 by the Financial Stability Board (FSB) at the request of the G20 to examine climate-related disclosures and responses that financial institutions should adopt.

It recommends that companies and others assess and disclose the financial impacts of climate change risks and opportunities on their operations.

Yokohama Rubber has positioned "climate change mitigation and adaptation" as one of



the key management issues for contributing to a sustainable society and sustainable corporate growth, and in January 2022, we expressed our support for the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD). We also joined the [TCFD Consortium](#), which was established on May 27, 2019 by the Ministry of Economy, Trade and Industry, the Ministry of the Environment, and the Financial Services Agency as a forum for discussion among companies and financial institutions that agree with these recommendations.

We will continue to actively disclose information on our efforts to address climate change in line with TCFD recommendations.

For more information :

<https://www.y-yokohama.com/global/sustainability/environment/tcfid/>

Fun to Share Campaign

We provided sponsorship for the Challenge 25 Campaign (a global warming prevention campaign fostering involvement by ordinary citizens) which was launched on January 14, 2010, and we participated in the Challenge 25 Campaign activities. Following the termination of the Challenge 25 Campaign, since 2014 we have been supporting the new Fun to Share Campaign, which is aimed at achieving a low-carbon society in response to climate change. We have also registered as a participating company and organization and made a declaration on the content of the initiatives.

Yokohama Rubber Co., Ltd.

Achieving a low-carbon society through fuel-efficient tires and environmental contribution products and activities.

Nippon Keidanren "Carbon Neutral Action Plan

As the world's interest in and expectations for achieving carbon neutrality in 2050 grow even more intense, Yokohama Rubber considers the realization of this goal to be the most important goal we should aim for in the future.

We endorse and participate in the Keidanren's "Carbon Neutral Action Plan," a new and strongly promoted initiative.

The TNFD (Taskforce on Nature-related Financial Disclosures) Forum

The TNFD is an international initiative established in 2021 with the aim of creating a framework to encourage companies to disclose information on risks and opportunities related to the natural environment and biodiversity, and to shift the global flow of funds toward nature positivity (the concept of halting the loss of biodiversity and putting it on a recovery track).

In January 2023, Yokohama Rubber endorsed the philosophy of the TNFD and joined the TNFD Forum, an international stakeholder organization that supports the establishment of a nature-related financial disclosure framework.

Through our participation in the TNFD Forum, we are committed to proactively disclosing information and will continue to further accelerate our efforts related to environmental conservation.



The 30 by 30 Alliance for Biodiversity

The 30 by 30 Alliance for Biodiversity was established in 2022 as an all-Japan coalition of companies, local governments, and organizations aiming to be "Nature Positive" and achieve the international goal of "30 by 30" to conserve and protect at least 30% of land and sea by 2030.



The coalition is a voluntary association of companies, local governments, and organizations.

Yokohama Rubber joined in January 2023.

Through participation in the "30 by 30 Alliance for Biodiversity," we aim to obtain OECM certification (areas contributing to biodiversity conservation outside of protected areas such as national parks) and achieve "30 by 30" at our production sites, including "YOKOHAMA Forever Forest" in the future, and contribute to the realization of a society in harmony with nature.

"Declaration of Biodiversity by Keidanren" -Promotion Partners

Yokohama Rubber agrees with the purpose of the "Nippon Keidanren Declaration on Biodiversity" and has been developing initiatives for "biodiversity preservation" as its promotion partner since 2009. Currently, we are working as a "Private Sector Engagement Partnership for Biodiversity".

Basic policies and action guidelines have been set forth as "Yokohama Rubber's Guidelines on Biodiversity."

Keidanren Initiative for Biodiversity Conservation

Yokohama Rubber endorses the purpose of the "Keidanren Declaration of Biodiversity and Action Guidelines" revised in October 2018, and joined the "Keidanren Biodiversity Declaration Initiative" in January 2023.

Going forward, we will further accelerate our efforts to conserve biodiversity, which we have been doing since 2009 as a promotion partner of the former "Declaration of Biodiversity".

Wild Bird Society of Japan

The Wild Bird Society of Japan is a nature conservation organization that continues its activities under the slogan "wild birds and people are all members of the Earth," conveying the wonder of wild birds and nature while striving to realize a society in which nature and humans coexist in harmony.

As a special corporate member since March 2012, Yokohama Rubber has been working on nature conservation issues in cooperation and collaboration with its members and supporters.



Other Support

WWF Japan

WWF (World Wide Fund for Nature) is one of the world's largest leading conservation organizations, working in more than 100 countries and supported by 5 million supporters globally and founded in Switzerland in 1961.

WWF's mission is to stop the degradation of the planet's natural environment and to build a future in which humans live in harmony with nature.

WWF is working to conserve rare wildlife and promote sustainable production and consumption in order to restore the richness of biodiversity, which is rapidly being lost, and to realize a decarbonized society to prevent global warming.

Yokohama Rubber has been supporting WWF Japan's activities as a member company since October 2006.

Risk Management

Risk Management System

A Risk Management Committee chaired by the Head of Corporate Administration Division has been established to strengthen the defense system in response to the various risks facing the company, and risks that can have a significant impact on management are managed throughout the organization, and appropriately evaluated and responded to. Furthermore, in response to the specific individual risk involving compliance, safety, disasters, information security, and export management, we have established committees and councils including the Corporate Compliance Committee, Central Safety and Health Committee, Central Disaster Prevention Council, CSR Council, Environment Council, Information Security Council, Personal Information Protection Management Committee, and Export Control Committee. We have prepared and developed regulations, guidelines, and manuals for implementing risk management, and we also conduct education and training activities.

The activities of the Risk Management, Corporate Compliance, Export Control, and Personal Information Protection committees are periodically reported to the Board of Directors.

Other committees' activities are reported at management meetings as appropriate, and matters are reported to the Board of Directors if doing so is deemed necessary.

The following meetings* were held in FY 2022:

* Includes ad hoc committee meetings

Risk Management Committee	Met 22 times
Personal Information Protection Management Committee	Met 4 times
Export Control Committee	Met twice
Information Security Committee	Met twice

In addition to regular committee meetings held twice a year, the Risk Management Committee and other committees may hold extraordinary committee meetings based on the criteria set forth in the committee rules.

In FY2022, the Risk Management Committee and the Personal Information Protection Committee held extraordinary committee meetings, and the results of the meetings are shown in the table above.

Going forward, we will not neglect our daily activities, and we will implement the PDCA cycle by identifying possible risks, considering countermeasures, notifying the parties involved, and conducting verification.

Information Security Initiatives

Yokohama Rubber and the Yokohama Rubber Group promote various information security measures to protect our customers' personal information and other confidential information from cyber attacks and other information leak risks that are becoming more sophisticated and complex every day.

As for information security rules and regulations, we have established information security management rules and procedures, which are periodically reviewed in response to changes in the environment surrounding information security.

As part of the Yokohama Rubber Group's overall efforts, information management managers have been assigned to each organization and Group company, and an information security communication network has been established. We consolidate and provide information at the "Information Security Liaison Desk" including issues from stakeholders. We are working to strengthen relationships so that we can respond promptly in the event of an information security incident.

Targeted attack e-mail training and e-learning are regularly conducted for employees.

Our information security management system is certified by TISAX (Trusted Information Security Assessment Exchange), an information security assessment developed by the German Association of the Automotive Industry, in 2022.

For Group companies, we regularly hold hearings on information security, conduct security education, share information on a daily basis, and alert employees, and we are working to foster information security literacy throughout the Group by encouraging them to raise their awareness.

Review of FY 2022 Activities

Verifying employee safety

The safety confirmation system was introduced in FY2009, and the scope was expanded to include domestic production subsidiaries in 2019 with their registration, and drills have been conducted on an ongoing basis since then. In addition to periodic safety confirmation drills at each site, a nationwide simultaneous safety confirmation drill has been conducted in March since 2021.

By increasing the frequency of safety confirmation drills, we are working to improve our initial response capabilities in the event of a disaster and raise employees' awareness of disaster preparedness.

Being prepared for a disaster (database activation)

Since 2017, we have stipulated in our "Disaster Prevention Guidelines" the stockpiles that should be deployed at each site, including quantities.

Based on the guidelines, the database manages and confirms that stockpiles have been secured for the required number of days, and any shortages, including replacement of expired stockpiles, are replenished.

In addition, we have confirmed the content, frequency, and number of participants in disaster drills to be prepared to respond quickly in the event of a disaster.



Stockpiling for disasters



Fire Prevention, Disaster Prevention and BCP Initiatives

In fire prevention activities, we revised in May 2022 our company-wide guideline "Fire Prevention Guideline" with the aim of preventing fires from occurring and preventing the spread of fire in the event of an accident.

In accordance with these guidelines, we conduct internal fire audits of our domestic and overseas offices and affiliates. This has enabled us to check the fire prevention organization system and firefighting equipment, identify fire risks and issues in factories, warehouses, and offices, and establish a system to prevent recurrence.

We will continue these activities from FY2022 onwards and continue to strengthen the fire prevention system of Yokohama Rubber Group by implementing the PDCA cycle for improvements that will lead to fire prevention.

In disaster prevention activities, we revised the "Disaster Prevention Guidelines" in September 2021 to clarify our preparedness for increasingly severe natural disasters and infectious diseases occurring in wide areas.

The purpose of these guidelines is to maintain the company's activities on the basis of putting human life first, and to enhance Yokohama Rubber's disaster preparedness by clarifying the actions employees should take in the event of a disaster, the company's disaster prevention system, and the enhancement and management of disaster supplies.



Fire prevention audit



For our Business Continuity Plan (BCP), we have prepared "Basic BCP Guidelines" and other guidelines for various destructive and non-destructive disasters, including infectious diseases, and revise them as necessary.

In 2022, a total of six BCP drills were conducted at the company-wide level (two) and at the department level (four).

By continuously conducting and brushing up drills for each department, we will continue to strengthen our systems and structures to protect our employees from disasters and continue to supply products and services when our business is exposed to disasters.



BCP training in Shinbashi



BCP training in Hiratsuka

Compliance

KPI

Item	FY 2021 results	FY 2022 results
Number of violations of laws and regulations related to the provision and use of products	(Consolidated) 1	(Consolidated) 2

Basic Stance Towards Compliance

In order to respond effectively to the increase in risk that has accompanied globalization, in July 2017 the Yokohama Rubber Group Competition Law Compliance Policy and Yokohama Rubber Group Anti-corruption Policy were approved by the Board of Directors and came into effect. By announcing these new policies both in Japan and overseas, and by formulating rules and guidelines that embody the policies in concrete form and familiarizing stakeholders with them, we aim to prevent violations of competition law and criminal offences involving bribery.

By integrating these policies with our Global Whistleblower System, adoption of which began in February 2018, and implementing them in our subsidiaries throughout the world, we believe we can raise the overall level of compliance in the Yokohama Rubber Group to an even higher level.

Compliance (product liability)

Our mission is to achieve corporate prosperity and contribute to society by not only satisfying customers but also winning their confidence and securing an appropriate level of profits. In order to achieve this, we must continually provide quality products that customers around the world will feel secure in buying and that will satisfy customers. In accordance with the Yokohama Rubber Action Guidelines, "We shall listen to the views of our customers, accurately ascertain their needs, and develop, design, manufacture, and sell products of genuine use to society."

Compliance System

Yokohama Rubber has established a Corporate Compliance Committee with the director in charge of the Corporate Administration Division as the Committee Chair and the Corporate Compliance Department as the implementation department. The Corporate Compliance Committee is held four times per year to continually implement various measures related to compliance at the Yokohama Rubber Group and report the state of these activities to the Board of Directors and Audit Committee members. The Corporate Philosophy and Action Guidelines of the Yokohama Rubber Group are made known and presented to Group companies, including overseas companies, to serve as the guidelines for the execution of duties by Directors and employees at each company. Every division in the Yokohama Rubber Group is assigned personnel who belong to the Corporate Compliance Department as well, to continue to share the progress of the activities in internal education and related information in the workplace. In our domestic and overseas group companies, we have appointed a compliance promotion manager to facilitate the development of the same level of activities in each company.

Compliance System (product liability)

In the event of any quality problems or complaints in the market related to products provided to customers, we will respond promptly in an attempt to resolve such problems and implement recurrence prevention activities. As part of recurrence prevention measures, we regularly conduct quality audits to confirm the implementation status of corrective action and verify its effectiveness.

Whistle-Blowing System (Corporate Compliance Hotline / General Counseling Room)

The Corporate Compliance Hotline refers to the system of accepting even anonymous whistle-blowing in accordance with the Whistleblower Protection Act. The telephone number and email address are stated on the Corporate Compliance Card that is distributed to all domestic Yokohama Rubber Group's employees. There are two hotlines, an internal hotline and an external hotline. As the external hotline has been established at an external law firm, independence has been secured for this hotline. The General Counseling Room is the contact point which any members can utilize regarding any doubt or anxieties at work that are related to corporate compliance, and requires name registration as a general rule. In fiscal 2022, the total of the hotline and the General Consultation Room received 142 calls and consultations.

Yokohama Rubber has introduced a "Global Whistleblower System" at its overseas subsidiaries that allows the Yokohama Rubber Compliance Department to directly identify any violations of competition laws, bribery-related activities, and violations by local subsidiary executives through an external contact point. In February 2018, adoption of the new System began in China at the company responsible for overall supervision of our China-based operations and at our tire sales company in China.

By 2022, the introduction of the system in China, the Philippines, Thailand, Vietnam, and North America has been completed with the exception of some offices.

Beginning in 2023, we will begin studying the introduction of the system at our production facilities in Indonesia.

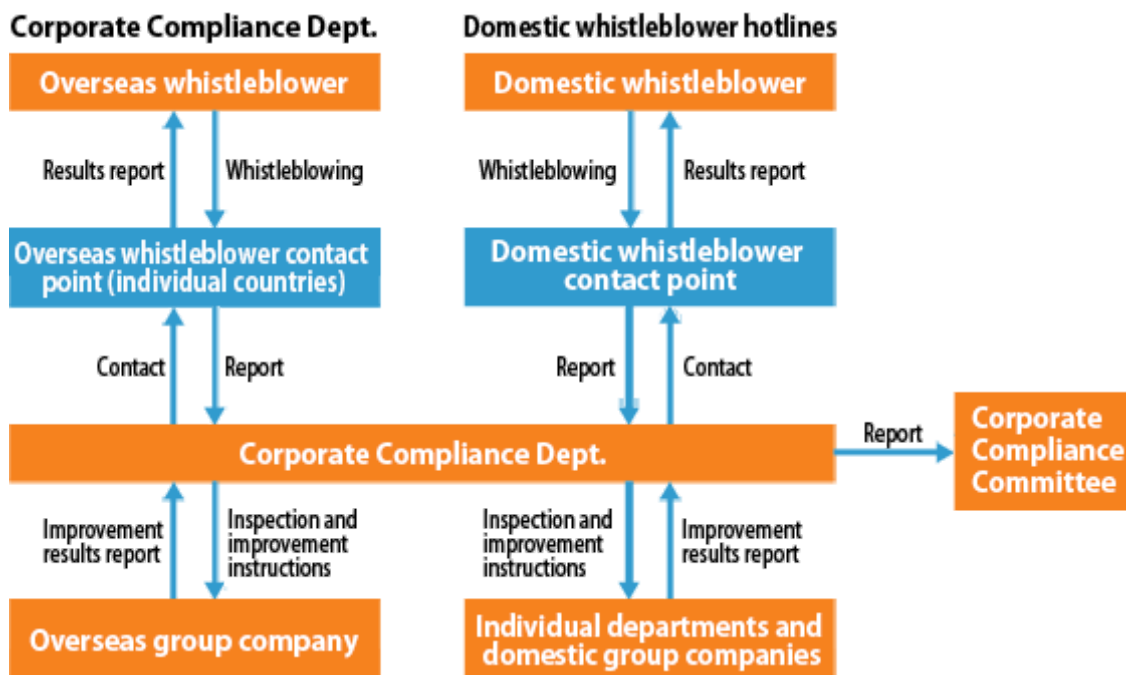
In Europe, our European headquarters signed a contract with a company that provides a whistleblowing system, and it implemented a joint whistleblowing system that it uses along with its eight subsidiaries. In addition to serving as a whistleblowing system for these nine companies, including the controlling company, the system also functions as a global whistleblowing system in which the Corporate Compliance Dept. directly receives reports from local employees depending on the content of the report.

This system has been in operation since January 2021.

In November 2022, a tire production company in Vietnam began operating an internal reporting system. In operating the system, we provided employees with introductory training. A new natural rubber processing company in Thailand also began operating the system in May.



Whistle-Blowing System (Flow chart)



Thorough enforcement of compliance through monthly reports

85 Compliance Promotion Managers have been assigned to Group companies in Japan and overseas. We respond appropriately in coordination with the Corporate Compliance Department to issues that occur in various situations including the workplace and external transactions.

Each compliance officer sends a monthly report to the Corporate Compliance Department as part of efforts to enable an advance understanding of issues.

Manager of the regional headquarters in China



Li Xu
(Yokohama Rubber (China) Co., Ltd.; Y-CH)

Manager of Japanese tire distributors



Tsutomu Ishijima
(Yokohama Tire Japan; YTJ)

Manager of Japanese industrial product distributors



Seiichi Endo
(Yokohama Rubber MB Japan; YMJ)

Being able to appropriately monitor the state of compliance at overseas subsidiaries is an important issue. By making effective use of the periodic reporting system that is already being implemented, and of the global whistle-blowing system that we have begun to adopt, we are approaching the stage where we will be able to effectively monitor compliance issues at each overseas business location.

Education and Awareness Raising Activities

Using internal compliance issues as themes, we offer both general compliance materials that we would like all employees to know about, as well as contents for specific departments and positions, with teaching methods that include the distribution of educational materials, group learning at work, and group education.

In 2022, in addition to continuing education on harassment and quality fraud, themes included mental health in the workplace, diversity promotion, workplace accidents, and business and human rights.

➤ Compliance Workplace Training Themes (2022)

The Yokohama Rubber Group uses its own educational materials to conduct group training on compliance at each workplace monthly. In fiscal 2022, the following themes were covered.

- January** Online defamation
- February** Mental health in the workplace
- March** Workplace bullying and coaching
- April** Promotion of diversity and inclusion
- May** Occupational injuries and concealing of occupational injuries
- June** Sexual harassment and gender harassment
- July** Business and human rights
- August** Revisions to the whistleblowing regulations
- September** Remarks made in the workplace that abuse one's position of power (maternity harassment and workplace bullying)
- October** Contribution to and consideration of local communities
- November** Improper conduct regarding quality
- December** Internal whistle-blowing system and reporting/consulting anonymously

Anti-Corruption Initiatives

The Yokohama Rubber Group Code of Conduct declares the following;

- We will not only comply with laws and regulations but also with social norms.
- We will not engage in any act that violates competition laws, bribery, or any act that deviates from the law or business practices.
- We will maintain sound relationships with political and administrative entities, both inside and outside the country, and will not engage in bribery.
- We do not entertain, give gifts or give money to our business partners for the purpose of gaining unfair advantage.

It refers to actions against business partners as well as public officials.

The Anti-Bribery Policy also prohibits the act of bribery for the following "officers and employees of a private company subject to commercial bribery, and any other person who may be a guest of any bribery offense".

The global whistleblower system is designed to provide an external point of contact to prevent "bribery" as well as "competition law violations" from occurring as quickly as possible.

For this reason, we provide training to our overseas subsidiaries that are planning to introduce the system in advance.

Seminars conducted (FY 2022)

(Unit: persons)

Training opportunities	Persons
Pre-departure orientation for overseas dispatch	31
Newly appointed organization management position training	20
Pre-introduction training for the whistle-blower system	1,433
Grand total	1,484

Privacy policy for employees

We strictly manage employees' personal information by obtaining prior consent by quoting the purpose of its usage. We understand the importance of employees' personal information and ensure its proper treatment; we also let our employees know, through our internal intranet, that we continue to take measures to protect their personal information.

Measures against violations

- No sanctions against violations of the Anti-Monopoly Act have been imposed on our company.
- No sanctions against fraudulent accounting practice, discrimination or misconduct in the workplace have been imposed on our company.
- No sanctions against violations of environmental regulations have been imposed on our company.
- No complaints have been lodged over loss of customers' data.
- There have been two violations of laws relating to the supply of products and services, or their usage.

Vision and targets

We shall work to improve quality performance and provide safe, secure, and high-quality products and services. We aim for 100% conforming products, zero recalls in the market, and zero complaints in the market.

Measures to pursue our vision

<Improvements to the quality assurance system from the customer's perspective>

In order to improve the quality assurance system, we identify problems from the customer's perspective through internal quality audits and work to improve the quality system in order to resolve such issues.

<Implementation of top-level quality diagnosis>

We believe that a high level of commitment by the President and top management towards quality improvement activities can help to improve motivation in the field and accelerate and strengthen further improvement activities. The top management therefore conducts a diagnosis of each plant and department as a top-level quality diagnosis every year at Yokohama Rubber.

<Ensuring safety throughout the product lifecycle>

So that customers can use safe and comfortable products, in the event of a defect that could cause an inconvenience for customers such as a product recall, we will promptly notify customers and rapidly respond.

Review of FY 2022 Activities

We made improvements in response to information regarding quality and complaints received from customers. In FY2022, there were two recalls in Japan and overseas for tire-related incidents.

- In Japan, we notified the authorities of three truck tires and replaced them free of charge with new tires.
- We have reported two commercial vehicle tire products in the U.S. and replaced them with new tires free of charge.

Future challenges

To prevent quality frauds, we continue to strive for a work environment that is free from mistakes by creating programs that drive at the reasons for frauds through examples at other companies, and planning and implementing training for all employees in Japan and overseas including in affiliated companies. In addition, we are performing inspection and confirmation of work on whether rules are being followed, and making improvements as needed.

Economic Performance

Responsible Department

Each business location and department

Our position and Targets

Why is “Economic Performance” a critical issue to be addressed?

Explanation of the reason and background

The Yokohama Rubber Group has launched its new medium-term management plan, Yokohama Transformation 2023 (YX2023), which will guide the group during the three years from fiscal 2021.

The tire market actually is composed of two distinct markets - the consumer tire market centering on passenger car tires and the commercial tire market, which includes tires for trucks, buses, agricultural machinery and other commercial-use vehicles. At present, these two markets are about equal in scale. However, as the CASE^{※1} and MaaS^{※2} etc. trends accelerate, individual ownership of cars will decrease, and we expect the number of infrastructure-related vehicles devoted to moving people and goods to increase.

※¹ CASE: Acronym for Connected, Autonomous, Shared & Services, and Electric.

※² MaaS: Mobily as a Service (integration and provision of mobility services)

Vision (attainment goal) / target

YX2023 is positioned to "exploitation" of core strengths in existing businesses and "exploration" of new growth opportunities in response to the needs of an era of great change, while simultaneously promoting "transformation" for the next generation of growth.

Our initial financial targets for the medium-term management plan were set at 700 billion yen in sales revenue, 70 billion yen in business profit, and a business profit margin of 10% in fiscal 2023.

However, as announced in the "Notice Regarding Completion of Acquisition of Shares in Trelleborg Wheel Systems Holding AB" on May 2, 2023, the financial targets have been revised as the company will become a consolidated subsidiary.

The revised financial targets are revenue of 1,000 billion yen, business profit of 84.5 billion yen, and business margin of 8.5% in FY2023.

At the end of FY2023, we target a D/E ratio of 0.73x, ROE: 9%, ROIC: 5.2%, operating cash flow of 230 billion yen (3-year cumulative total), and capital investment within depreciation.

Quantitative targets for 2023

Sales revenue	1,000 billion yen
Business profit	84.5 billion yen
Business profit margin	8.5%
Operating income	87.0 billion yen
Operating margin	8.7%

Measures for vision achievement

In the Consumer Tire Business, we will "exploitation" our efforts to expand sales of high value-added products, while in the Commercial Tires Business, we will "exploration" ways to capture market changes in line with the four themes.

<p>Consumer Tires</p>	<p>Raise High Value-Added Tire Sales Ratio</p> <p>We are focusing on the theme of maximizing the sales ratio of the following Main Products, which are high value-added tires. (1) ADVAN, our global flagship tire brand; (2) GEOLANDAR, our tire brand for SUVs and pickup trucks; and (3) winter tires. To achieve this target, we will implement the following three measures. 1. Expanding OE use of ADVAN & GEOLANDAR 2. Strengthen sales in replacement market and Expand size lineups including for WINTER tires 3. Strengthen sales of tires suited to local market needs</p>
<p>Commercial Tires</p>	<p>Respond to Market Changes</p> <p>We will be "Searching" for opportunities to create new value by capturing major market changes, such as CASE and MaaS, and will work on the four themes. We will also further accelerate the growth of our OHT and TBR businesses.</p> <p><Cost competitiveness> To meet the expected growth in demand for lower cost tires, we are positioning India's passenger car plant as the most cost-competitive passenger car plant in the Yokohama Rubber Group, as the aim of establishing a new low-cost model in tune with the tire market of the future.</p> <p><Service> With expected to increase corporate ownership of vehicles, we believe the value demanded from the tires themselves to tire-related after services. We have leveraged our sales and logistics network with locations in all of Japan, and we will strengthen our services to corporate customers with expand our fleet of service vehicles.</p> <p><DX^{※3}> We are accelerating the development of advanced tire sensors, and plan to add functions to the sensors to gradually increase the services and customers that can take advantage of these tires. We will use this system to create new value-added services related to tires.</p> <p>※³ DX : Digital Transformation</p> <p><Product Lineup> In the transportation and logistics industry, as vehicles become electrically powered and unmanned, it is expected that tires of various varieties will be required to meet the needs of operating distances and usage conditions. To meet this logistics revolution, we will continue to broaden our product lineup, which is one of our strengths, to strengthen our competitive advantage in the market.</p> <p>■ OHT Business is Future Growth Driver We plan to further accelerate the growth of this business in 2021, and have begun to integrate the OHT businesses of Yokohama Rubber, ATG and Aichi Tire. On May 2, 2023, we acquired all shares of Trelleborg Wheel Systems Holding AB (TWS). Including the brands owned by Y-TWS (Yokohama TWS), which became a subsidiary, we will strengthen our business by leveraging our strength in product development and customer responsiveness with a full lineup of basic, standard, and premium products.</p> <p>■ TBR Business Strengthening Foundation for Future Growth We are working to secure stable supply from our Mississippi plant and create the infrastructure needed to fulfill demand. Expecting demand for TBR tires to continue expanding, we plan to invest to further boost capacity at our TBR plant.</p>
<p>Multiple Business</p>	<p>We are committed to shift our portfolio to products with highly stable earnings and strong growth potential. We plan to solidify the MB segment's ability to generate stable earnings while also enhancing its growth potential by concentrating resources in the segment's two core product areas - hoses & couplings and industrial materials.</p>

Management Foundation : Human Resources Strategy & ESG initiatives

In human resource strategy, we will strengthen our management corps and management by reforming our personnel management system, create an organization that can respond more flexibly to the dynamic changes in our operating environment, and facilitate our continued efforts to promote work-style reforms.

In ESG management, in line with our CSR slogan, "Caring for the Future," we will strive to provide environmentally friendly products, promote initiatives to achieve carbon neutrality, and support activities that are rooted in local communities. We also aim to further strengthen corporate governance and create a safe, secure and comfortable workplace.

> New Medium-term Management Plan YX2023

Review of FY 2022 Activities

Distribution of economic value to stakeholders

Stakeholders	Distribution amount (million yen)			Calculation method
	FY 2022	FY 2021	FY 2020	
Business partners and suppliers	323,773	246,427	208,408	Cost of sales + SG&A expenses (excluding personnel expenses)
Employees	52,153	53,204	50,805	Cost of sales + SG&A expenses (personnel expenses)
Shareholders	10,603	10,277	10,431	Dividends paid
Creditors	890	2,158	2,747	Interest paid
Government and administration	28,444	12,951	11,427	Corporate taxes, etc. paid
Society	198	214	17	Donations (entertainment expenses), etc. [High school and university laboratories]
Internal	30,911	29,682	18,658	Net income - dividend amount
Total	448,972	354,913	302,493	

※The figure for "Creditors" and "Government and administration" are for Yokohama Rubber on a consolidated basis, while the other figures are on a non-consolidated basis.

Considerable financial assistance received from government

The amount of financial assistance in taxes and subsidies received from national and municipal governments was 65.4 million yen.

Taxation transparency

Yokohama Rubber Group Tax Policy

We established the Yokohama Group Tax Policy to ensure compliance with tax-related laws and regulations, considered a social norm, and to contribute to society through appropriate tax payments based on the Yokohama Group Organizational Governance Policy. We also disclose Tax Policy to ensure the tax transparency of the Yokohama Rubber Group. This policy covers Yokohama Rubber Co., Ltd. and its subsidiaries.

Legal Compliance

We will fulfill our tax obligations as a global company by complying with the tax-related laws and regulations of each country and guidelines provided by the OECD. Furthermore, the Group understands and respects the legislative purpose and spirit of such tax laws etc.

Tax Governance

The Yokohama Rubber Group's tax-related corporate governance is included within the Group's overall governance. This governance is implemented within the scope of responsibility of the General Manager of the Corporate Administration Division of the Yokohama Rubber Co., Ltd.

Transfer pricing taxation

With regard to intra-group transactions within the Yokohama Rubber Group, the Group's policy is to set prices based on function and risk, in accordance with the arm's length principle specified by the OECD Transfer Pricing Guidelines.

Tax planning

The Yokohama Rubber Group's tax planning is implemented appropriately based on the actual status of the Group's business activities and in line with its business objectives. We strive to prevent tax planning for the purpose of tax avoidance using tax havens and capital structures.

Application of tax incentives

Understand the legislative intent of the preferential tax treatment available in each country, we utilize it within the scope of normal business activities to improve tax efficiency.

Relations with Tax Authorities

We will build sound, healthy relationships with the tax authorities of each country and respond seriously and with integrity to requests from the relevant authorities to participate in tax investigations. In the event of a difference of opinion between the Group and the tax authorities, the Group strives to engage in dialog with the authorities and to resolve the issue in accordance with the relevant tax-related laws and regulations.

Corporate income taxes paid

Corporate income taxes paid in 2020-2022 were as follows.

(Unit : billion yen)

	FY2020	FY2021	FY2022
Domestic	55.9	52.9	90.5
Overseas	67.7	85.3	162.2
Total	123.6	138.2	252.7